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SUBJECT: SUMMARY OF SHORT-TERM FORECASTERS MEETING,
JUNE 9-10

REFS: (A) USOECD 13215

(B) OECD DOCUMENT DES/NI/F(75)1

(C) OECD DOCUMENT CPE(75)6

1. SUMMARY: OECD COUNTRY REPS AT SHORT-TERM FORE-
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CASTERS MEETING WERE SLIGHTLY MORE OPTIMISTIC THAN

SECRETARIAT ABOUT GNP GROWTH PROSPECTS FOR 1975, WITH COUNTRY ESTIMATES ADDING UP TO AGGREGATE DECLINE IN REAL GROWTH FOR OECD AREA OF -0.9 PERCENT, WHILE SECRETARIAT SEES -1.4 PERCENT. COUNTRIES GENERALLY EXPECTED LITTLE IMMEDIATE IMPROVEMENT IN UNEMPLOYMENT DURING 1975. ON PRICES, AGGREGATE COUNTRY ESTIMATES ARE ALMOST IDENTICAL WITH SECRETARIAT FORECASTS OF ABOUT 11 PERCENT RISE IN GNP DEFLATOR AND 10.3 RISE IN CPI FOR 1975. BALANCE-OF-PAYMENTS FORECASTS BY COUNTRIES WERE SIGNIFICANTLY MORE OPTIMISTIC THAN SECRETARIAT'S (EXCEPT U.S.), MAINLY DUE TO GENERAL EXPECTATION (EXCEPT U.S.) THAT IMPORT VOLUMES WOULD FALL MORE RAPIDLY IN RESPONSE TO RECESSION THAN SECRETARIAT ANTICIPATES. HOWEVER, COUNTRY OPTIMISM ON THIS POINT MAY BE EXCESSIVE IN THAT THEY FORECAST 5 PERCENT DECLINE IN OECD IMPORT VOLUMES, WHILE EXPORTS ONLY EXPECTED TO FALL BY 2.5 PERCENT. THIS INCONSISTENCY WAS NOTED BY SECRETARIAT, WITH CLEAR IMPLICATION THAT COUNTRIES MAY BE INDULGING IN WISHFUL THINKING REGARDING SIZE OF EXTERNAL STIMULUS TO BE EXPECTED AND EXTENT TO WHICH IMPORTS CAN BE REDUCED DURING RECESSION. SECRETARIAT WILL REVISE SOME OF ITS FORECASTS IN LIGHT OF STFC DISCUSSIONS AND CIRCULATE NEW TABLES PRIOR TO EPC MEETING JUNE 16. STFC DISCUSSED PROCEDURAL CHANGES FOR FUTURE MEETINGS (REPORTED SEPTTEL). END SUMMARY.

2. GNP FORECASTS: COUNTRY AND SECRETARIAT FORECASTS FOR REAL GROWTH OF GNP IN OECD AREA DIFFERED ONLY marginally, WITH COUNTRIES PREDICTING FALL OF 0.9 PERCENT AND SECRETARIAT FORECASTING DECLINE OF 1.4 PERCENT. OUTLOOK FOR BIG SEVEN COUNTRIES IS SLIGHTLY MORE PESSIMISTIC THAN FOR "OTHER OECD" COUNTRIES. HOWEVER, CANADA, JAPAN AND GERMANY PREDICTED ZERO OR SLIGHTLY POSITIVE GROWTH, WHILE SECRETARIAT EXPECTS DECLINE IN REAL OUTPUT IN ALL THREE COUNTRIES. COMPARATIVE FORECASTS OF COUNTRIES AND SECRETARIAT ARE GIVEN IN TABLE 1 BELOW.

TABLE 1: GROWTH OF REAL GNP
IN OECD COUNTRIES IN 1975
(PERCENTAGE CHANGE FROM 1974)
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	COUNTRY FORECAST	SECRETARIAT FORECAST
CANADA	0.6	-1.4
U.S.	-3.6	-3.6
JAPAN	2.0	-0.5
FRANCE (B)	2.1	1.9
GERMANY	0	-0.5

ITALY (B)	-2.5	-2.2
U.K. (B)	1.25	0.7
TOTAL		
BIG 7	-1.2	-1.8
BELGIUM	0	0.3
NETHERLANDS (B)	-1.0	0.2
DENMARK (B)	-0.5	0.5
AUSTRIA	2.5	0.5

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FINLAND (B)	0.5	0.3
NORWAY (B)	6.2	4.5
SWEDEN (B)	2.2	1.0
SWITZERLAND	-3.25	-2.0
SPAIN	2.5	1.5
TOTAL		
OTHER OECD (A)	1.0	0.6
TOTAL		
OECD (A)	-0.9	-1.4

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(A) SECRETARIAT FIGURES USED FOR AGGREGATES WHEN
COUNTRY FIGURES UNAVAILABLE.

(B) GDP

TABLE 1-A HALF-YEARLY COMPARISON OF
GNP FORECASTS

(PERCENT CHANGES FROM PREVIOUS HALF-YEAR,
SEASONALLY ADJUSTED ANNUAL RATES)

SECRETARIAT FORECASTS COUNTRY FORECASTS

	1975	1975	1976	1975	1975	1976
	I	II	I	I	II	I
CANADA	-3.2	3.0	4.2	-1.8	7.7	3.2
U.S.	-7.6	4.7	5.2	-7.9	5.4	6.7
JAPAN	-3.7	2.5	6.3	-1	7	7.5
FRANCE(B)	1.2	2.8	3.7	0.5(C)	4 (C)	4.5(C)
GERMANY	-1.6	2.8	4.5	-2.5	5.5	..(A)
U.K.	-0.4	-1.5	0.6	-0.75	0.75	2.75
ITALY(B)	-2.0	-0.8	0.8	-2.25	0	1

TOTAL, 7

COUNTRIES -4.5 3.2 4.6 -4.5 5 5.75

(A) NO FIGURE SUBMITTED BY COUNTRY. IN CALCULATING THE
AVERAGE FOR THE 7 COUNTRIES, A FIGURE OF 5.2 PERCENT
WAS USED.

(B) SECRETARIAT ESTIMATES OF HALF-YEARLY PATTERN
IMPLIED BY COUNTRY FORECASTS.

(C) FRENCH DEFINITION.

3. PRICE FORECASTS: SECRETARIAT AND COUNTRY FORECASTS
OF GDP DEFLATORS AND CPI WERE APPROXIMATELY IN LINE,

WITH SLIGHTLY LOWER RATES OF INFLATION (BY BOTH MEASURES) EXPECTED BY CANADA AND U.K. AND SLIGHTLY HIGHER BY FRANCE AND ITALY. TABLE 2 BELOW SHOWS COUNTRY AND SECRETARIAT FORECASTS FOR GNP DEFLATORS AND CPI IN BIG LIMITED OFFICIAL USE

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SEVEN COUNTRIES.

TABLE 2 GNP DEFLATORS AND CPI IN
MAJOR 7 COUNTRIES IN 1975
(PERCENTAGE CHANGE FROM 1974)

DEFLATOR			CPI	
COUN.	SECT.		COUN.	SECT.
CANADA	9.2	11.6	10.2 (B)	11.8 (B)
U.S.	9.1	8.9	.. (B)	8.1 (B)
JAPAN	8.0	7.9	12.0	9.7
FRANCE	11.3	10.6	11.3	11.3
GERMANY	7.5	7.4	5.5 (B)	6.0 (B)
ITALY	20.5	19.6	18.5	17.9
U.K.	23.25	27.6	20.5 (B)	22.7 (B)
TOTAL				
BIG 7	10.4	10.6	10.1 (A)	9.9

TOTAL

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OECD 13.2 13.6 12.0 12.3

(A) SECRETARIAT FIGURES WERE USED FOR AGGREGATES WHEN
COUNTRIES' FORECASTS NOT AVAILABLE.

(B) NATIONAL ACCOUNTS IMPLICIT PRICE DEFLATOR.

4. TRADE PERFORMANCE: SECRETARIAT AND COUNTRIES HAD
SUBSTANTIAL DIFFERENCES IN OUTLOOK FOR VOLUME GROWTH OF
EXPORTS AND IMPORTS IN 1975. COUNTRIES IN AGGREGATE SEE
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5 PERCENT DECLINE IN IMPORTS AND 2.5 PERCENT DECLINE IN
EXPORTS, WHILE SECRETARIAT SEES 3.5 PERCENT DECLINE IN
IMPORTS AND 2.5 PERCENT DECLINE IN EXPORTS. COUNTRIES' ESTIMATES
ASSUME THAT OECD AREA WILL BE ABLE TO CUT IMPORTS BY
TWICE AS MUCH AS DECREAS IN EXPORTS, WHICH SECRETARIAT
POINTED OUT WOULD APPEAR TO BE INCONSISTENT. U.K. DEL
SUGGESTED THAT IMPORTS MIGHT FALL FASTER BECAUSE OF
DECLINE IN OIL AND RAW MATERIALS IMPORTS FROM NON-OECD
COUNTRIES, BUT CLEAR IMPLICATION WAS THAT COUNTRIES ARE
BEING OPTIMISTIC ABOUT EXPORT PROSPECTS AND EVEN MORE
OPTIMISTIC ABOUT ABILITY TO CUT IMPORTS DURING
RECESSIONARY PERIOD. TABLE 3 BELOW SHOWS COUNTRY AND
SECRETARIAT FORECASTS FOR CHANGES IN VOLUME OF IMPORTS
AND EXPORTS IN 1975.

TABLE 3 EXPORT AND IMPORT PERFORMANCE
IN 1975 FOR BIG SEVEN COUNTRIES
(PERCENT CHANGE IN VOLUME OVER 1974)

IMPORTS			EXPORTS	
COUN.	SECT.		COUN.	SECT.
CANADA	- 6	-0.5	-5.75	-6.5
U.S.	-10.5	-8	-6	-1
JAPAN	-12	-7.5	-2	-1
FRANCE	- 3.75	-2.75	1	-1
GERMANY	2	1	-3.5	-3.5
ITALY	-10	-6.5	1	-1
U.K.	- 2	-2.25	2.25	-1
OECD				
TOTAL	- 5	-3.5	-2.5	-2.5
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